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# ECONOMIC REVIEW

## February 2024

Global economic  
 prospects remain weak



Sluggish mineral output  
 performance for 2023



EI Nino curbs 2024  
 agriculture prospects



Economic Growth Proj: 2024	3.5%
Inflation January	
M-o-m	5.4%
Y-o-y	47.6%
Exchange rate Feb 24(ZWL/USD)	
Interbank	14,913
Parallel	20,000

### Global economic prospects remain weak

Global economic recovery prospects remain subdued with advanced economies showing signs of sluggish growth on tight financial conditions, fiscal imbalances, and geopolitical tensions. Developing countries are expected to face varying growth prospects and challenges, exacerbated by climate change-induced constraints. Meanwhile, a shift in consumer spending from goods to services has weakened global trade. While there is projected rebound of global trade in 2024 to 2.4% from 0.6% in 2023, it is expected to remain below pre-pandemic levels amidst monetary tightening and geopolitical tensions. The rising share of non-tradable goods and services in total output reflects a broader trend of declining trade dynamism since the 2008 financial crisis. In the outlook, we expect subdued trade growth to persist, leading to a shift from export-led to domestic-demand-driven growth strategies.

### Mixed performance for commodity prices

During the month under review, there was a mixed performance for mineral prices. Nickel prices rebounded to an average of US\$17,600 per tonne on the back of higher demand for the metal in the stainless steel and electric vehicle battery industries. Gold prices have remained bullish, increasing by 0.5% to US\$2,044 per ounce, due to safe-haven demand and tight monetary conditions. Meanwhile, PGMs continued to experience weak demand, resulting in an oversupply of platinum and palladium in the market.

Global prices for selected commodities			
	Jan-24	Feb-24	% change
Nickel(\$/mt)	16,104	▲17,600	9%
Gold (\$/troy oz)	2,034	▲ 2,044	0.5%
Platinum (\$/troy oz)	926	▼ 895	-3%
Palladium (\$/troy oz)	982	▼ 942	-4%
Rhodium	4,450	▼ 4,400	-1%
Crude oil(\$/bbl)	78	▲ 80.5	3%
Lithium(\$/mt)	13,200	▲ 14,312	8%
Coal(\$/mt)	125	▼ 124.2	-0.6%

Source: Kitco, World Bank, Trading Economics

### Weak prospects for the domestic economy

The unfolding El Nino induced droughts and squeeze in commodity prices are expected to heavily weigh down on performance of the two key productive sectors with both agriculture and mining sectors anticipated to record weak performances in 2024. It is against this background that the Government's target for economic growth of 3.5% for 2024 is under threat as key risks to the economy remain on the downside.

### Mineral production subdued

Preliminary numbers show that production for key minerals such as gold and PGMS was subdued in 2023 on the back of slowdown in and increasing cost of production. Lithium production increased significantly benefitting from production ramp up at new lithium projects.

### 2023 Mineral output performance

	2022	2023	% Change
Gold (kgs)	37,265	32,391	-13%
Platinum (kgs)	16,460	16,813	2%
Palladium (kgs)	13,935	13,960	0.2%
Rhodium (kgs)	1,461	1,456	-0.3%
Diamonds (cts)	4,844,019	5,107,941	5%
Chrome (MT)	1,109,795	1,074,450	-3%
Nickel (MT)	14,260	15,760	11%
Coal (MT)	4,185,417	4,898,734	17%
Lithium (MT)	86,330	1,567,686	1716%

Source: Ministry of Mines

Meanwhile, mineral exports for 2023 are estimated at around US\$5.4 billion, down from US\$5.6 billion, largely due to softening commodity prices. We anticipate mining companies to ramp up production to compensate for revenue losses as commodity markets are expected to remain weak in 2024.

### Gold deliveries surge

Cumulative gold production for the first two months of the 2024 surged by 12% to 4,229 kilograms in February 2024 compared to 3,791 kgs recorded in the same period last year. Meanwhile, gold production for February 2024 was 22% lower than deliveries for January 2024. We expect gold production to reach 39 tons in 2024, up from around 32.4 tons in 2023, largely on the back of ongoing expansion projects and favourable prices.

	Jan- Feb 23	Jan- Feb 24	% Change
Large Scale Producers (Kg)	1,691	2,098	24%
Small Scale Producers (Kg)	2,100	2,131	1.5%
Total (Kg)	3,791	4,229	12%

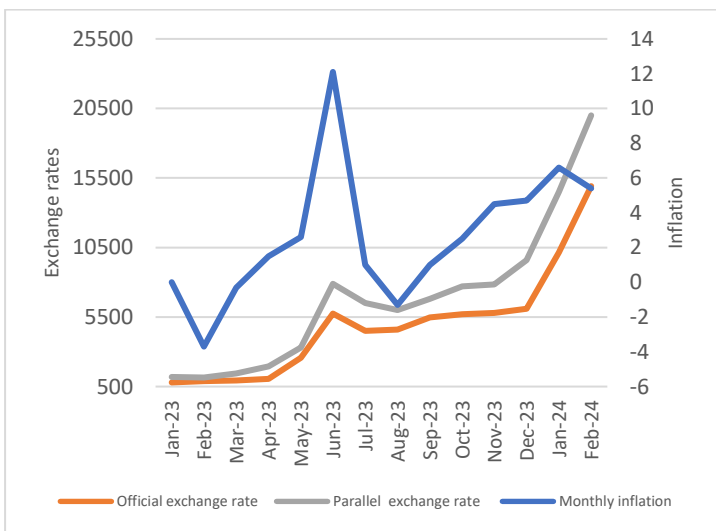
Source: Ministry of Mines

### El Nino curbs 2024 agriculture prospects

The summer cereal crop planting for 2024 was completed in January, later than normal, reflecting the delayed onset of seasonal rainfall, with some parts of the country experiencing one of the driest starts in the last 40 years. The El Nino dry weather patterns persisted in February, significantly worsening yield prospects for the 2024 cereal crops. These adverse conditions are also expected to have a negative impact on horticulture production, as well as the livestock sector, due to the degradation of grazing resources and adverse effects on the availability of water sources. The combination of elevated food prices, sluggish economic growth, and decreased agricultural output has intensified food insecurity. In the outlook, we anticipate an additional source of price pressure stemming from a subsequent increase in food imports to meet local needs, which could amplify the adverse effects of the weak local currency on domestic food prices.

### Inflation pressures set to intensify amid currency depreciation

The domestic month-on-month inflation eased to 5.4% in February 2024 from 6.6% in January 2024. Notwithstanding, local currency depreciation persists as the parallel market premiums have remained above 30% in the first two months of the year. In the outlook, we expect exchange rate depreciation to persist feeding into ZWL inflation pressures.



Source: RBZ

### Meanwhile, the IMF urges reforms for macroeconomic stability

To address the anticipated domestic economic slowdown, the IMF has urged the Government to implement reforms to restore macroeconomic stability by tackling fiscal pressures and liberalizing the foreign exchange market. Specific measures proposed entail transferring quasi-fiscal operations from the RBZ to the Treasury, liberalizing the foreign exchange market, and advancing governance reforms. Additionally, the IMF emphasized the need for international reengagement as vital for resolving Zimbabwe's unsustainable debt burden.

### Summing up

The economic outlook for 2024 faces significant challenges due to El Nino-induced droughts and falling commodity prices. These factors, coupled with currency depreciation and inflationary pressures, poses significant risks to Zimbabwe's economy in the near term. Efforts to mitigate these challenges will require coordinated government interventions, investment in resilience-building measures, and proactive management of inflationary risks.

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